

Message Text

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PAGE 01 KINSHA 06457 201951Z

ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 AGRE-00 NSCE-00 SSO-00

ICAE-00 INRE-00 AID-05 CIAE-00 COME-00 EB-08

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SP-02 LAB-04 SIL-01 OMB-01 SS-15 STR-07 CEA-01

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O 201900Z JUN 78

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC NIACT IMMEDIATE 491

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS IMMEDIATE

AMCONSUL BUKAVU POUCH

AMCONSUL LUBUMBASHI

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

C O N F I D E N T I A L KINSHASA 6457

DEPT ALSO PASS AGRICULTURE/OGSM; BRUSSELS ALSO FOR USEEC

E.O. 11652: GDS

TAGS: EAGR EAID CG

SUBJ: ZAIRE FINANCIAL SITUATION

REF: A. SECTO 07039 (NOTAL) B. KINSHASA 6028 (NOTAL)

1. FOLLOWING INFO PROVIDED IN RESPONSE REFTEL A.

A. THE EMBASSY'S LATEST MONTHLY PRICE SURVEY FOLLOWING THE SHABA INVASION INDICATED A SHARP 60 PERCENT INCREASE IN THE COST OF FOOD STAPLES IN THE KINSHASA AREA. THIS UNUSUALLY HIGH INCREASE PROBABLY REFLECTS HOARDING/SPECULATION AS WELL AS AN ACTUAL SHORTAGE OF FOOD SUPPLIES. HOWEVER, THE DROUGHT AND MANIOC BLIGHT IN LOWER ZAIRE, WHERE A MAJOR PORTION OF KINSHASA'S FOOD ORIGINATES, HAVE PROBABLY ALSO CONTRIBUTED TO GENERALLY TIGHTER FOOD SUPPLIES IN THE CAPITAL. THE SITUATION COULD DETERIORATE FURTHER

CONFIDENTIAL

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PAGE 02 KINSHA 06457 201951Z

AS SUPPLIES OF LOCALLY PRODUCED RICE ARE NEARLY EXHAUSTED AND HARVEST OF NEW CROP DOES NOT BEGIN UNTIL DECEMBER. EMBASSY AGATT JUST LEARNED THAT THE BANK OF ZAIRE HAS ALLOCATED TO A PROMINENT KINSHASA BUSINESS FIRM \$100,000 TO IMPORT US RICE -- A POSSIBLE INDICATION OF MOUNTING GOVERNMENT CONCERN. THE SHORTAGE OF FOOD IN THE OTHER URBAN AREAS OF ZAIRE WAS ALREADY SERIOUS PRIOR TO THE SHABA INVASION AND IS LIKELY TO DETERIORATE FURTHER.

B. THE EMBASSY QUERIED DONORS THAT HAD MADE THE FOLLOWING PLEDGES OF FOOD ASSISTANCE AT THE BRUSSELS MEETING:

--BELGIUM: FOOD GRAINS, MEAT/POULTRY, SALT, FRESH AND CANNED FISH, SUGAR;

--FRANCE: FOOD GRAINS;

--CANADA: FOOD GRAINS, FISH, MIL POWDER;

--EEC: FOOD GRAINS, MILK POWDER, BUTTER OIL;

--NETHERLANDS: \$1 MILLION IN UNSPECIFIED FOOD AID;

--GERMANY: UNSPECIFIED FOOD AID

THE EEC PROVIDED A ROUGH TIMEFRAME FOR INITIAL DELIVERIES--THE FIRST 1,500 TONS OF CORN MEAL TO ARRIVE IN EARLY JULY. THE POWDERED MIL AND BUTTER OIL HAD NOT YET BEEN PROGRAMMED, HOWEVER, AND WILL PROBABLY BE SENT THROUGH UNICEF CHANNELS. THE CANADIANS ESTIMATE THAT THEIR FIRST WHEAT SHIPMENT WILL ARRIVE IN TWO MONTHS, AND THE FISH AND MILK POWDER IN THREE MONTHS. THE BELGIANS, FRENCH, GERMANS AND DUTCH ARE STILL WAITING INFORMATION ON EMERGENCY FOOD SHIPMENTS. HOWEVER, THE BELGIAN AMB HAS INDICATED SOME SHIPMENTS MIGHT ARRIVE BY MILITARY AIRCRAFT.

C. GIVEN THE EXPERIENCE OF THE LAST TWO YEARS, COMMODITIES SHIPPED UNDER THE PL-480, TITLE I PROGRAM WILL ARRIVE IN MATADI NO SOONER THAN TWO MONTHS AFTER SIGNING OF AN AGREEMENT. TRANSIT TIME FROM MATADI TO KINSHASA IS ABOUT ONE MONTH. THE TIME FOR WHEAT SHIPMENTS COULD BE SHORTENED SHOULD CONTINENTAL MILLING CORP BE ABLE TO DIVERT A SHIPOAD OF WHEAT DESTINED FOR ANOTHER LOCATION. (THIS ASSUMES THAT CONTINENTAL IS AWARDED THE DELIVERY CONTRACT.) PL-480 COTTON AND RICE ARE NEEDED AS SOON AS POSSIBLE. THE NEED FOR CONFIDENTIAL

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PAGE 03 KINSHA 06457 201951Z

WHEAT IS NOT QUITE AS URGENT. AS OF THE JUNE CLOSURE (REF B, PARA 2B), THE COTTON MILL, UTEXCO, HAD ACCUMULATED THREE WORKING DAYS SUPPLY OF COTTON. ITS DIRECTOR HOPES TO FIND SUFFICIENT SUPPLIES TO OPERATE THE MILL FOR THE MONTH OF JULY, THOUGH THE OUTLOOK IS NOT ENCOURAGING. EVEN IF THE MILL LOCATES SUFFICIENT SUPPLIES TO OPERATE FOR THE MONTH OF JULY, ITS DIRECTOR EXPECTS THAT IT WILL HAVE TO CLOSE AGAIN IN AUGUST. THE MIDEMA FLOUR MILL NOW HAS SUFFICIENT WHEAT IN THE PIPELINE--THOUGH THE LAST TWO SHIPMENTS HAVE NOT BEEN PAID FOR--TO LAST UNTIL MID-AUGUST WITH THE MILL OPERATING AT NEAR FULL CAPACITY. IT SHOULD BE NOTED THAT THE DEPT OF PLAN HAS NOT YET DEVISED A RICE DISTRIBUTION PLAN, WHICH THE EMBASSY DEEMS NECESSARY, PRIOR TO SHIPMENT, TO AVOID PREVIOUS DISTRIBUTION/PRICING PROBLEMS. HOWEVER, WE HOPE TO OBTAIN AN ACCEPTABLE RICE DISTRIBUTION PLAN IN THE NEAR FUTURE.

D. A TWO/THREE WEEK DELAY IN SIGNING THE PL-480 AGREEMENT COULD CONCEIVABLY EXACERBATE THE HANDLING/DISTRIBUTION PROBLEMS ON ARRIVAL, SINCE GRAIN SHIPMENTS WOULD ARRIVE IN CLOSER SUCCESSION. IN ADDITION, WITH THE COTTON MILL CLOSED FOR LACK OF SUPPLIES, MIDEMA HAS ALREADY BEGUN SELECTED BULK FOUR DELIVERIES. (UTEXCO PRODUCES THE BAGS WHICH MIDEMA USES TO DISTRIBUTE FLOUR. MIDEMA CARRIES A TWO-MONTH BAG RESERVE.)

E. CENTRAL BANK GOVERNOR BOFOSSA, WHO IS SCHEDULED TO RETURN TO KINSHASA THIS WEEKEND, IS THE MOST KNOWLEDGEABLE SOURCE ON THE AVAILABILITY OF THE REQUIRED FOREIGN EXCHANGE DATA. DEPUTY ASST SECRETARY WALKER AND DIRECTER AF/EP CUNDIFF DISCUSSED USDEL REQUEST WITH BOFOSSAA ON JUNE 14. FOLLOWING BRUSSELS MEETING, BOFOSSA WAS TO CONTINUE TO WASHINGTON. SUGGEST DEPT MIGHT WISH TO CONTACT HIM DIRECTLY THROUGH THE IMF.
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